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19 March 1962

NRO REVIEW COMPLETED

MEMORANDUM FOR: Deputy Director (Research)
THROUGH : Acting Chief, IFD-ED/R
SUBJECT : Hyeon Corporation, Proposed Report to Stockholders
REFERENCE : Ltr from dtd 12 March 1962

1. Paragraph 6 of this memorandum contains a recommendation for your approval.

2. A review of the proposed Hyeon Corporation release to its stockholders as outlined in letter in itself would reveal nothing inherently objectionable from a security standpoint with the exception of the following two admittedly rather vague areas:

a. The Hyeon Corporation B configuration is still being utilized as the primary U-2 camera system at both Detachments G and H. Contracts still exist for both field representative and factory servicing. Care must necessarily be exerted to ensure that publication of the Hyeon Corporation statement does not surface existing contracts and result in the revelation of current IDEALIST activities.

b. Much U-2 denied area photography has since May 1960 been released from the special product control system on a Secret-Noform basis under procedures approved by the USIB which include the aspect that the photography so released would not be confirmed as coming from U-2 source. A comparison of resolution, etc. of Hyeon Corporation released photography with such released Secret-Noform photography would conceivably confirm U-2 source to the user.

3. This office is in full sympathy with the natural desire of to inform Hyeon Corporation stockholders of this significant achievement on the part of the Corporation. From a pure security standpoint this office would concur in the proposed release. The Soviets presently possess a B configuration camera and photography as a result of the incident. There is no confirmation that they are aware of the identity of the manufacturer since care was taken to sanitize the equipment prior to installation in the aircraft.

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25X1 4. This office is concerned however, that approval of the Hyeon Corporation statement would open a "Pandora's Box" in that it would be quite natural for other agency industrial suppliers to request similar authority. (Prior to granting Hyeon Corporation authority outlined in attached [redacted] (OUT 68629) it was necessary for the agency to canvass the other suppliers regarding this matter.) The result could be a broad insight on the part of all into contractual procedures used by the agency in the U-2 program. These procedures are presently being applied to other sensitive agency projects. These procedures do not provide, as in the case of DOD contractual lettings, provision for competitive bidding.

5. Attached are some prior correspondence pertaining to the security of the B configuration camera which example some of the considerations previously given to Hyeon Corporation. Whereas the correspondence reveals that the agency has always given due regard to the reasonable requests of that company, it is not presumed that it should influence the decision as to the advisability from a security standpoint of permitting or not permitting the release.

6. Considering all aspects it is recommended that [redacted] be informed that the agency prefers that the proposed announcement to the stockholders not be made.

SIGNED

[redacted]
[redacted] Security Officer
CIA

Recommendation in paragraph 6 APPROVED:

Concile to this effect
signed by DD/R cfr
HERBERT SCOVILLE, JR.
Deputy Director (Research)

Attachments:

DPD-1766-62, Cy 2

Cy 2, 12 Nov 59
(OUT 68629) 23 Jun 60
IN 26594) 6 Jun 60

Distribution:

- 1 - [redacted]
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